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Report of the Secretary-General on the activities of the Office of Internal Oversight Services

Note by the Secretary-General

The Secretary-General has the honour to transmit for the consideration of the General Assembly his comments on the report of the Office of Internal Oversight Services on the utilization and management of funds approved by the Assembly in its resolutions A/58/295 and A/59/276 for strengthening the security and safety of United Nations premises (A/60/291).

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Summary

The report of the Office of Internal Oversight Services (A/60/291) provides the findings of the audit conducted on the question of the utilization and management of funds approved by the General Assembly in its resolutions A/58/295 of 18 June 2004 and A/59/276 of 23 December 2004 for strengthening the security and safety of United Nations premises. The present note of the Secretary-General provides supplementary comments on some of those findings and recommendations where considered necessary for further clarification.

I. Introduction

1. The report of the Office of Internal Oversight Services (OIOS) on the utilization and management of funds approved by the General Assembly in its resolutions 58/295 and 59/276 for strengthening the security and safety of United Nations premises (A/60/291) in most cases adequately reflects the views of the Secretariat. However, there are certain areas where additional information is required. The present note contains that additional information in order to provide a fuller understanding of the views of the Secretariat.

II. Comments on specific paragraphs and recommendations

Paragraph 8

2. In paragraph 8 of its report, OIOS reiterated its recommendation 3 (AH2004/510/01/2) contained in its report A/59/396 concerning surrendering of the unspent 2002-2003 appropriation totalling $4.8 million, relating to projects deferred to the capital master plan, with reference to provisions of financial regulation 5.3.

3. The Secretary-General points out that recommendation 3 is inconsistent with the arrangements established by the General Assembly for administering the multi-year accounts. It had been the decision of the Assembly in its resolution 56/286, of 27 June 2002, following a recommendation of the Advisory Committee on Administrative and Budgetary Questions (ACABQ), that the security-related infrastructure projects would be financed through a specific account similar to the construction-in-progress account which is of a multi-year nature. Based on that decision, a sub-account within the construction-in-progress account was established to administer the related funds. Under those arrangements, the regular budget appropriations for the security-related projects were allotted and the related funds transferred for utilization to the construction-in-progress account. That transfer has been recorded in the books of the Organization as expenditure incurred under the regular budget. Under the terms of the construction-in-progress account, the unspent provisions at the end of the financial period remain in the account and are used for their purpose in the subsequent financial periods, as is the case with the unspent $4.8 million provision relating to the projects deferred to the capital master plan.

4. Therefore, financial regulation 5.3 is not applicable in this case. Recommendation 3 of report A/59/396 should therefore be withdrawn and the case should be closed.

Paragraph 10 (Recommendation 1) (AC2005/514/05/2)

5. The arrangements detailed above with respect to paragraph 8 of the report fully apply in this case also, as the paragraph deals with the projects financed under the construction-in-progress account. It should be noted that the General Assembly appropriates funds at a budget section level, not at an individual projects level. While the Secretary-General provides detailed information to the Assembly in his budget proposals in support of his request for appropriation for projects to be implemented, the authority for allocation of funds within a budget section rests with the Secretary-General. It often happens in the course of programme implementation that priorities may dictate reallocation of resources within the section, including reallocation of unspent balances of funds under the individual projects within a

budget section. Therefore, the obligation need not be cancelled. Revised programmes of work are submitted in the context of the Secretary-General's proposed programme budget. Recommendation 1 (AC2005/514/05/02) with respect to financial regulation 5.4 should be withdrawn, as it does not apply to construction-in-progress.

Paragraph 14

6. The issue of performance bond, and labour and material bond was the subject of protracted negotiations between the Secretariat and the contractor, who had claimed that it was unable to secure a performance bond in the form required by the United Nations. Given the record of the contractor's satisfactory performance and in order to move this safety-related project forward, a commercial decision was made by the Secretariat to allow the contractor to provide a letter of credit in lieu of the bond. Since the Secretariat has also been notified by other construction contractors of difficulties with respect to securing performance bonds, it has been looking into ways to address this issue in consultation with OIOS.

Paragraph 39

7. As indicated in the addendum to the report of the Secretary-General on a strengthened and unified security management system for the United Nations (A/59/365/Add.1 and Corr.1) (see note (a) to the table placed between paras. 85 and 86), the P-4 post was not for the position of a project coordinator, but rather for assisting the Director of the Division of Administration, United Nations Office at Geneva, in the implementation of entire phase II security measures. The role of determining the level and scope of budgetary requirements is vested in the Secretary-General and it is not appropriate for counter-proposals to be made by OIOS.

General comments on recommendations 1, 2 and 3

8. Recommendations 1, 2 and 3 are the responsibility of the Department of Management rather than of the Department of Safety and Security.

Paragraph 62: recommendation 7

9. The recommendation is accepted as far as it relates to the physical enhancement aspects of the security plan (in other terms, the project and its sub-components), as is the need to update regularly the project's implementation time line and variations to the cost estimate established at the project's initiation.